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Secs. II-27-100,000-21-5-52.

Fin. (195 48) Department.

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G.O. No. 263

Dated

24-3-1948

[Despatch Abstract.]

Legislative Assembly Question No. 477 - M.A. Muhammed Ibrahim
Sahib Bahadur M.L.A. - Representation to the Government of India
for increased share of central Revenues-Papers Recorded.

5-9-1947.

STARRED.

M.A. Munammed Ibrahim Sahib
Bahadur, M.L.A.

DRAFT REPLY.

Finance Department.

Q.No. 477

Will the Hon'ble the Minister for finance be pleased to state:-

(a) whether the Government has made any representations to the Central Government in recent times for increased share for the Province from the Central Revenues; and

(a) With effect from 1944-1945 the Government of India pay an annual contribution of Rs. 22 lakhs from the proceeds of the Excise duty on tobacco levied by them, as compensation for the loss of revenue sustained by the Madras Government on account of the repeal of the Madras Tobacco (Taxation of Sales & licensing) Act, 1939, which provided for the levy of a tax on the sale of tobacco and the licensing of trade therein within this Province. In June 1947, this Government requested the Government of India either to increase the compensation to Rs. 150 lakhs a year (which is the amount of revenue likely to be obtained by this Government if all transactions in tobacco in the Province were brought within the scope of the Madras General Sales Tax Act, 1939, and taxed at a special rate 10 per cent on the turnover) or to assign to this Government 50 per cent. of the net proceeds from the Central Excise duty on tobacco collected in this Province. The Government of India refused to comply with this request. This Government are pressing them to reconsider the matter.

The Finance Minister of the Madras Government gave notice of amendments to the Federal Legislative List proposed by the Union Powers Committee that would have added provisos to items 73 and 77 in the list, viz., Corporation Tax and Income Tax, requiring that at least 50 per cent. of the net proceed should be distributed to the Units in which the taxes were levied. He also gave notice of amendments deleting item 72 in the proposal Federal Legislature list of amending item 41 in the proposed provincial legislative list, so as to make all excise duties Provincial.

A copy of the notice ~~amendment~~ regarding these amendments is furnished in the Annexure. These amendments were not reached during the last session of the Constituent Assembly. The matter will no doubt be considered further at the next session.

(b) if so, the result of such representation on our financial position during the current year?

(b) The financial position of this Province in the current year will not be affected by any change the allocation of sources of revenue between the Union of India and the Units under the new Constitution, the Union of India as the new constitution will not come into force during the current financial year. If the Government of India agree to pay enhanced compensation to this Government in respect of tobacco taxation with effect from a date in the current year, the financial position of the Province in the current year will improve to a corresponding extent.

To
The Secretary,
Madras Legislative Assembly.
(2 copies).
The Public (Elections) Department.
The Personal Assistant to Hon'ble Minister
(Finance)

Secretariat of the Madras Legislature
Council Section.

Finance (W & M)

UNSTARRED

Sri B. NARAYANASWAMY NAIDU M.O.S.

Finance Department.

DRAFT ANSWER.

Question No. 155. Will the Hon. Minister for Finance for Finance be pleased to state --

(a) how much of the sterling balances of India in England represent the portion attributable to Madras contribution and how much of the sterling balances released for India are given to Madras Province.

(a) The sterling balances in England relating to the Dominions of India and Pakistan are the property of the Reserve Bank of India and are held by the Bank partly in the Issue Department as part of the reserve against the note issue and partly in the Banking Department as part of its assets against its liabilities. It is not the case that any portion of the balances was "contributed" by, or "attributable to" any particular Province.

No specific allotments from the sterling balances are made for sale to Provincial Governments for meeting their overseas expenditure. Sterling has been made available hitherto without difficulty for all necessary Government purposes. The use of sterling by residents in India for non-Government purposes is controlled by the Governments of India and of Pakistan through their Systems of Import Control and Exchange Control. Questions relating to the utilisation of the sterling balances fall within the Central subjects "Currency" and "External Affairs", and the Madras

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Madras Government have no powers in regard to them.

(b) whether any representations have been made to the Government of India in the matter of apportionment of sterling balances by the Madras Province, if so, a copy of such representation may be placed on the table of the House.

(b) No such representation has been made.

2 (c) whether any instructions have been issued by the Madras Government to the members of the Constituent Assembly representing Madras and data furnished to them to guide them in the formula for allocation of ^{revenues} between the Centre and Provinces; if so, the same may be placed on the table of the House; if not why not.

(d) whether the members of the Constituent Assembly representation in the formulation of such allocation and if so, in regard to what heads of revenue.

⊗ present and certain suggestions were

(c) and (d) The question of the allocation of the revenues between the Union and the Units under the new Constitution was discussed informally at a Conference held by the Finance Minister of the Madras Government at which some members of the Constituent Assembly representing Madras ~~were made by them. These suggestions were made by them. These~~ suggestions were considered by the Government, and on the basis of the decisions reached by them the Finance Minister of the Madras Government gave notice that he would move in the Constituent Assembly certain amendments to the Federal and Provincial Legislative Lists proposed by the Union Powers Committee of the Constituent Assembly and also an amendment to paragraph 6 of the Report of that Committee. A copy of the Report and Amendments of which notice was given by the Finance

Minister is furnished in the Amendment (Belu). The amendments proposed to item 72 in the Federal List and item 41 in the Provincial List would make all excise duties a Provincial subject. The amendments proposed to items 72 and 77 in the Federal List, viz. Corporation Tax and Income-Tax would add provisos to them requiring that at least 50 per cent of the net proceeds should be distributed to the units in which the taxes were levied.

These amendments were not reached during the last session of the Constituent Assembly. The matter will no doubt be considered further at the next session. Those members of the Madras Government who are members of the Constituent Assembly will continue to press the claim of the Provinces for sources of revenue reasonable commensurate with their responsibilities.

Copy of amendments to the Report of the Union Powers Committee and the Lists attached thereto of which notice was given by the Minister for Finance, Madras.

(c) Whether the members of the Constituent Assembly representing Madras have been given a mandate to subscribe to such allocation without reference to the Assembly that elected them?

(c) There is no provision for members of the Constituent Assembly to refer to the Assembly that elected them any points that arise to be dealt with by the Constituent Assembly and the question of a "mandate", therefore does not arise.

It is open to the members of the Madras Legislature to offer suggestions in regard to the allocation of revenues between the Centre and the Provinces when a suitable opportunity arises. The Government will give due consideration to any such suggestion, when deciding on the representations to be made by this Government to any Committee of Experts that may be appointed to consider the question and on the attitude to be adopted by the members of this Government who are members of the Constituent Assembly when the matter is dealt with by that Assembly.

MAJ. GEN. J. S. S. (X)
2. 11. 1947

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Finance(Budget)

The Legislative Assembly Question was answered by Hon'ble Minister Finance on 5-11-1947 - See pages 522-525 of the printed proceedings dated 5-11-1947. These papers may be Recorded.

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23-3-1988.

G.O.Ms.No. 263 (Finance) dated 24-3-1948.

ABSTRACT:

Legislative Assembly Question No. 477-
M.A. Mugammed Ibrahim Sahib/Bahadur M.L.A.
Representation to the Government of
India for increased share of central
Revenues - Papers Recorded

/True Copy/

SP/26.10.

R. J. H. S. S. S.
25.11
Office Assistant,

Madras Record Office.

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25.11 25.11/53